

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 20533
[REDACTED],)	
)	DECISION
Petitioners.)	
_____)	

On July 16, 2007, the staff of the Tax Discovery Bureau of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayers) proposing income tax, penalty, and interest for the taxable years 2000 and 2002 through 2005 in the total amount of \$13,665.

On September 17, 2007, the taxpayers filed a timely appeal and petition for redetermination. The taxpayers did not respond to the Tax Commission's hearing rights letter and have not provided anything further for the Tax Commission to consider. The Tax Commission, having reviewed the file, hereby issues its decision.

The Tax Discovery Bureau (Bureau) received information [Redacted] that showed the taxpayers received wages in 2000, 2002, 2003, 2004, and 2005 for being employed in Idaho. The Bureau researched the Tax Commission's records and found that the taxpayers did not file individual income tax returns for those years. The Bureau sent the taxpayers a letter asking about their requirement to file Idaho individual income tax returns. The taxpayers did not respond. The Bureau obtained additional information [Redacted] and determined the taxpayers were required to file Idaho income tax returns. The Bureau prepared income tax returns for the taxpayers and sent them a Notice of Deficiency Determination.

The taxpayers protested the Bureau's determination and requested more time to file the needed income tax returns. The taxpayers stated that due to a storm that destroyed their home in

2006, they have not been able to find all their paperwork necessary to complete their returns. The taxpayers also stated they did not believe they owed any state tax since their federal income tax returns resulted in refunds. The taxpayers stated they would file the returns as soon as they could.

The Bureau allowed the taxpayers additional time to provide their returns with the proviso that they make a good faith showing that they were working on their returns. The taxpayers failed to make any showing and failed to provide any income tax returns. However, the Bureau did obtain additional withholding information that it added to the returns prepared for the taxpayers. The Bureau sent a modified report to the taxpayers, but still the taxpayers failed to respond. Therefore, the Bureau referred the matter for administrative review.

The Tax Commission reviewed the matter and sent the taxpayers a letter that discussed the methods available for redetermining a protested Notice of Deficiency Determination. The taxpayers did not respond to the Tax Commission's letter, so a follow-up letter was sent, which also yielded no response. Therefore, the Tax Commission decided the matter based upon the information available.

[Redacted] the taxpayers received wages for employment in Idaho in excess of the filing requirement stated in Idaho Code section 63-3030. The taxpayers did not contest that they were required to file Idaho income tax returns. They argued that they believed no tax was owed to Idaho since their federal income tax returns resulted in refunds.

The Bureau determined the taxpayers' Idaho tax based upon the information the taxpayers reported on their federal income tax returns. The Bureau's original determination included only the taxpayers' withholdings that were readily available. After the taxpayers protested the Bureau's determination, more withholding information became available. The

Bureau adjusted its determination to include the additional withholdings and to correct a clerical error in the filing status for 2004. As a result of the adjustments, the 2002 return changed from a tax due return to a refund return. However, since the taxpayers did not make a claim by filing a timely income tax return, and the return prepared by the Bureau was well past the statute of limitations for credit or refund of the excess withholdings, no credit or refund is available on the 2002 return. (See Idaho Code section 63-3072.)

In Idaho, a State Tax Commission deficiency determination is presumed to be correct, and the burden is on the taxpayer to show that the deficiency is erroneous. Parsons v. Idaho State Tax Commission, 110 Idaho 572, 574-575 n.2, 716 P.2d 1344, 1346-1347 n.2 (Ct. App. 1986). The taxpayers did not meet their burden. Nevertheless, the Tax Commission found that the original returns prepared by the Bureau did not accurately reflect the taxpayers' Idaho taxable income. However, the Tax Commission did agree with the Bureau's adjustments and corrections to its originally prepared returns, including not allowing a credit or refund for 2002.

In addition to those adjustments and corrections, the Tax Commission found additional withholding information for the taxpayers. That information further reduced the taxpayers' Idaho tax and produced a refund for the tax year 2004. However, in accordance with Idaho Code section 63-3072, that refund will be offset with the tax owed for tax years 2000, 2003, and 2005.

The Bureau added interest and penalty to the taxpayers' Idaho tax liability. The Tax Commission reviewed those additions and found them appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046 for the tax years 2000, 2003, and 2005.

WHEREFORE, the Notice of Deficiency Determination dated July 16, 2007, is hereby MODIFIED, in accordance with the provisions of this decision and, as so modified, is APPROVED, AFFIRMED, and MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the taxpayers pay the following tax, penalty, and interest:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2000	\$2,628	\$ 657	\$1,237	\$4,522
2002	0	0	0	0
2003	1,784	446	493	2,723
2004	(380)	0	0	(380)
2005	1,290	323	201	<u>1,814</u>
			TOTAL DUE	<u>\$8,679</u>

Interest is computed to August 15, 2008.

DEMAND for immediate payment of the foregoing amount is hereby made and given.

An explanation of the taxpayers' right to appeal this decision is enclosed.

DATED this _____ day of _____, 2008.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____, 2008, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[REDACTED]

Receipt No.
